

Levy and Local Effort Assistance Technical Working Group

Meeting Summary for July 23rd, 2010

The Levy and Local Effort Assistance Technical Working Group met Friday, July 23rd at the Puget Sound Educational Service District in Renton, where the members:

1. Received a presentation on Property Tax Levies in Washington State.
2. Reviewed the policy levers that shape the current levy and levy equalization system.
3. Reviewed a draft scorecard for evaluating future proposals and applied it to two test proposals.
4. Received a presentation analyzing local effort assistance within a per-pupil framework.
5. Outlined next steps and main discussion topics for the August 27th meeting.

Summary

1. Property Tax Levies in Washington State: Diann Locke, from the Department of Revenue, and Dianne Criswell, from Senate Committee Services, provided a joint presentation on property tax levies. It covered the following topics: assessed valuations, taxable property, calculation of the property tax levy (a budget based system), types of taxing districts, types of property tax levies, property tax shifts within a district, property tax exemptions, property tax provisions in the Washington State constitution, the “three limits” on property tax levies; the Department of Revenue ratio study, and how the ratio study is used in applying the state’s property tax levy. Their presentation is on the OFM Levy Working Group website. Please access it for more specific details.

2. Policy Levers: After the Property Tax presentation, Paula Moore reviewed two documents summarizing the state’s levy and levy equalization policy. The first, a policy map, outlined the policies that form the current system, sorted by the constitution, state statute, or a local decision. The second, a policy visual, illustrated the state’s levy and local effort assistance programs. Both documents are posted on the OFM Levy Working Group website.

3. Draft Scorecard & Two Test Proposals

3A. Draft Scorecard: The group then reviewed a draft scorecard for evaluating future proposals, which contained 18 items to use in evaluating future proposals. The 18 draft criteria evolved out of the workgroup’s prior discussions on current levies and local effort assistance. The draft scorecard is posted on the OFM Levy Working Group website. Eventually, the group will use the scorecard to evaluate all the different proposals.

The group then reviewed two test proposals in order to:

- (1) Test out information formats. (Did the group like the way the information was presented, or did it want different or additional information?)
- (2) Become comfortable evaluating proposals as a group.
- (3) Apply the scorecard to two different concepts and determine if the criteria needed to be adjusted.

3B. Test Proposal 1: Summary: Test proposal 1 was a regular levy concept. Under this “test proposal”, individual districts would be granted authority to run a local school regular levy, up to \$1.00. Districts could be able to run an excess M&O levy if needed. The total amount of money from a regular & excess levy could not

Levy and Local Effort Assistance Technical Working Group

Meeting Summary for July 23rd, 2010

exceed the 28 percent levy lid. This proposal made no changes to current LEA policy. Test Proposal 1, along with district detail, is posted on the OFM Levy Working Group website.

Discussion of Test Proposal 1:

- Could exacerbate further tensions between property rich and property poor districts. Property rich districts could meet a significant portion of their levy authority through the \$1.00 regular levy, while property poor districts would have to run both a \$1.00 levy plus an excess levy.
- Could put pressure on the Legislature to increase the levy lid.
- Would not address student equity. It does not change the levy authority calculations, and thus the current differences in levy authority on a per student basis would not be addressed.
- This could provide some reliability for districts that cannot currently pass a levy.
- This could create tensions between local governments and school districts.

Possible Adjustments or Alternatives to Consider in the Future:

- Split the \$1.00 concept into: \$0.50 for the district and \$0.50 for levy equalization
- Consider a recapture provision
- Consider adding a mandatory amount for each district and a credited amount.

3C. Test Proposal 2: Summary: Test proposal 2 was a regional concept. Under this “test proposal”, individual district excess M&O levies would be replaced with regional levies. LEA would still operate, allocated on a regional basis, calculated under the same formula currently set in statute. Regions would allocate the funding. Under this test concept, districts would receive the same combined amount of levy and LEA revenues as they would under current law. Test Proposal 2, along with district detail, is posted on the OFM Levy Working Group website.

Discussion of Test Proposal 2:

- Could put pressure on the Legislature to increase the levy lid.
- Again, like the first test proposal, would not address student equity. It does not change the levy authority calculations, and thus the current differences in levy authority on a per student basis would not be addressed.
- How would the governance between school districts work? Could this create local bargaining unit complications?

3D. Scorecard Additions: There were suggestions to include: (1) Local School Boards’ Perspective; (2) Future Impacts/Consequences; and (3) Tensions Between Governments (Local Governments vs. School Districts); (4) Possible Adjustments or Alternatives.

3E. Format for Presenting Information: For the district detail, there were suggestions to include (1) the tax rate as \$/per \$1,000, (2) levy authority per student by district, and (3) within the displays, a state total line.

Levy and Local Effort Assistance Technical Working Group

Meeting Summary for July 23rd, 2010

3F. Need for Assumptions: There was concern expressed that before the group could really start evaluating proposals, it needed a clearly articulated set of assumptions regarding the phase-in of 2776 and 2261. Without clearly articulated assumptions applied uniformly to all proposals, the purpose of looking at various options for a new system seemed problematic and would just result in pitting winning districts against losing districts.

4. Local Effort Assistance Analysis: Barbara Billingshurst from the WA PTA presented a per-student analysis of the state's LEA funding. She noted that if approached as a formula, LEA, on a per-student basis, should be at the highest point for the school district with the lowest assessed value per student. It should decrease at a constant slope until reaching the districts at or above the statewide average assessed value per student (currently around \$1 million). However, when graphing actual LEA per student, the data does not match the conceptual illustration. This is because LEA and levy calculations are based on a school district's state and federal revenues, which vary on a per-student basis district to district. As a result, certain property poor districts receive less per student than other districts with more assessed value per student. Even after making adjustments to account for differences in costs in types of students, the variation exists. She argued the variation would not exist if the calculations for LEA and levy authority were done on a per-student basis, rather than a revenues basis.

She concluded her presentation with the following points: Levy and LEA figures should be calculated on a per-student basis. In her view, the amount of local funds to be equalized should be the same for all districts, such as a percentage of the state's average funding per pupil. She further suggested that if the state sets an absolute maximum amount of levy funds each district can raise, then the maximum amount of local levy funds should be the same per pupil. However, she also noted the state could adjust the per-pupil figure to account for cost differences in educating students; regional labor markets; operational costs in certain areas; and staff mix. Handouts from her presentation are available upon request. Please email paula.moore@ofm.wa.gov for a copy.

Next Steps

- Establish clear assumptions (or range of assumptions) regarding HB 2261/HB 2776 (and once established, consistently apply the assumptions when looking at various proposals). Circulate for review prior to next meeting.
- Adjust the scorecard based on input from the group. Circulate for review prior to next meeting.
- Begin in-depth review of introduced proposals.
- Brainstorm new proposals.
- List of district levy election cycles (holdover from June Meeting)
- Hybrid of Vermont model (holdover from June Meeting).
- Facilities: Review our charge, review what is currently known, and decide how to approach the topic.

The Next Meeting of the Levy and Local Effort Assistance Technical Working Group will be Friday, August 27th, 2010 at the Puget Sound ESD in Renton, WA from 9:00 AM to 2:00 PM.

For meeting materials and additional information, please go to www.ofm.wa.gov/levy or contact Paula Moore at the Office of Financial Management at paula.moore@ofm.wa.gov or 360-902-0540.